

PRECOUNCIL MINUTES
Antelope Valley/North 27th Street Update
Assurity and Matt Talbot Kitchen & Outreach
February 2, 2009

Council Present: Robin Eschliman, Dan Marvin, Jon Camp, Ken Svoboda, Doug Emery and Jonathan Cook

Others Present: David Landis, Rick Peo, Rick Hoppe, Bill Schmeeckle, Susanne Blue, Michael Snodgrass, Dallas McGee, Wynn Hjermstad.

Robin Eschliman introduced the precouncil. The precouncil will address three inter-related projects in Antelope Valley.

David Landis noted the Assurity project includes the current home of the Matt Talbot Kitchen and Outreach. Matt Talbot would like to move to the current NeighborWorks location and NeighborWorks would like to move their operation to 23rd and P Street.

The Antelope Plaza Parkway triangle aerial view was provided. Yellow highlighted areas include City of Lincoln and Joint Antelope Valley Authority property that Assurity intends to own. The purple area includes land owned by St. Vincent de Paul and the building is partially leased to the Matt Talbot Kitchen and Outreach and partially used by St. Vincent de Paul. Assurity and St. Vincent de Paul have reached a negotiated agreement contingent on the whole project working.

There has been a general appraisal of the Antelope Valley area but no appraisals have been done on exact pieces of the property. Appraisals done at the beginning for the purpose of acquiring land have come in at \$4.56/square foot for residential usage and \$9.50 for commercial usage for land values only.

Tax increment financing is expected to be used for the project. If TIF is in the form of developer purchased bonds, it will top out at \$7.5 million. If it is a city issued bond, because we have the hold back provision, the amount will be \$6.3 million.

The building will be \$56 million containing 175,000 square feet. Initially, not all of the space will be needed by Assurity, so 20,000-30,000 square feet may be available for lease. When they grow into the larger building within five years, there is an informal estimate that 75-90 employees may be added.

The City has assisted in re-zoning the area as part of the Downtown Design Standards to B-4 zoning. There has been no city assistance regarding engineering. Assurity has spent their own money on engineering services through Olsson Associates and will not be able to be reimbursed by TIF due to it happening before the TIF agreement is in place.

Assurity is the developer and they want to own the property. Currently, the property is

owned by JAVA and will transfer to the City. The City has indicated to Assurity that we want value for the land. The land will not be given for free. An idea that could benefit both is use of the parking structure at this location. It is proximate to the Union Plaza park which there is no on-site parking. A contemplated value would be access on evenings and weekends to users of the park.

Eschliman asked if Assurity was predicting some job expansion and what challenges the current market has presented to the financing of the project. Bill Schmeeckle responded the original intent of the project is to have all 450 associates in one location. Some associate growth should occur from acquisitions even though it is hard to predict. The project will be financed internally by developer funded TIF bonds.

The proposed location of Matt Talbot is an area owned by the City on North 27th Street. This location is the end result of a selection process by Matt Talbot in finding a new home. They have a food program, outreach program and case management following people and their daily progress and improvement.

A number of locations were identified in the 68503 zip code area. Their current lease runs through 2010 with the right for a five year extension by the tenant. Matt Talbot has the power to stay under the lease in the existing building for another 6-7 years unless it is terminated and they are compensated for what they have lost. In the alternative, they voluntarily terminate the lease with their landlord. Assurity and Matt Talbot are both willing to do this.

When the locations were evaluated, a number of criteria were used to determine financial feasibility, adequate size of the site for building and parking, location in the 68503 zip code to be available to their clientele, delivery access, bus line access and safety protection for their workers and clientele. The City land on North 27th Street was at the top of this list.

The City is looking to sell the land at fair market value which is \$344,000, the land being \$244,000 and the building is \$100,000. The federal government will need to be paid back in the beginning as in the agreement which is roughly \$185,000.

The neighborhood does not accept this project. Questions and opposition have been raised. City staff will be attending a meeting tonight (February 2nd) with the Clinton Neighborhood Association.

Marvin indicated most of the calls he has received indicate support of the project. Concerns are that the location is some distance away from the current location for those who walk. Landis responded that most of the clientele do not walk and generally have a form of vehicular transportation. Susie Blue added that a survey has been performed on a sample of 100 clients as to how they arrive at the center. The survey indicated that 47% arrive by car, 24% by bus, 16% by bicycle, 8% via car pool arrangement and 5% walk.

Camp asked Susie Blue if Matt Talbot receives some dispensation because here is a long term lease so that you are going to get some assistance in that regard to help in this relocation. Blue responded that St. Vincent de Paul is going to provide Matt Talbot with a loan at 0% interest rate over a four year period of time. There is no compensation on their lease agreement.

Camp asked Landis if there was any compensation for Matt Talbot as a leaseholder. Landis responded that if the City were the purchaser, there might be a relocation cost. There is a voluntary arrangement between the three parties as to how they intend to do this and can accept that framework. The City is a facilitator and not in a directive position to make people do that which they do not want to do.

Eschliman asked if the sale price was based on the appraisal which Landis replied yes. Landis indicated that flexibility will be given as to when the City is paid.

Marvin asked if the appraisal was based on rent received as it would significantly lower the appraisal of the building and asked what the appraisal process. Rick Peo responded that the appraisal was based on the income approach as well as comparable sales methodology. They don't use the rent received from the Carnegie library but use a comparable on properties and what type of rent they receive. In both cases, the total value of the property was the same at \$344,000.

Is TIF being used for MTKO and what is the philosophy of using TIF on something that is a non-profit and does not pay property tax. NeighborWorks will generate property tax. When it sells townhouses, they will be owned by private owners and they will pay property tax. Two thirds of the NeighborWorks building will be condominiums and they will pay property taxes on that.

MTKO will be a nonprofit and will not pay property taxes at that location.

TIF resources are used for non-profits. The money does not come out of the project because it does not create new property taxes, but because they are in an area that produces TIF resources and they are consistent with the redevelopment plan. The Clinton Neighborhood is a very good example of that. The CenterPointe building had TIF assistance because it is in a corridor that generates property tax. NorthBridge and the People's Health Center also used these resources.

There is a parcel at 23rc & P that the City owns that NeighborWorks is interested in obtaining. The parcel is less than two lots and is a parcel that our Real Estate division would say neither is buildable. Running across the parking lot is a diagonal pipe which is a sewer system that runs under the parking lot.

All of our talks with NeighborWorks are that we receive value. The City has not given anything away for the last couple of years. We have traded and we would trade for value, although not necessarily cash. Other forms of value that we would contemplate include the ability to use that parking lot for events at the Union Plaza park. A second is

the willingness of NeighborWorks to use one of their central rooms as a conference center available to the neighborhood. We already have this agreement with CenterPointe.

Marvin asked Snodgrass if NeighborWorks controls all of the other properties in the project outline. He replied that they have site control over all of the other parcels. NeighborWorks either owns or has an option to purchase all parcels. An engineer hired by NeighborWorks and the City have said the site cannot be built on because the sewer line is too shallow and footings would be too close to the box culvert and would significantly damage it.

Several of the parcels have homes on them. The acquisition process has been five years in the making. Acquisition in the older parts of town take time. A 15-plex was acquired for \$525,000 and Snodgrass thinks the total is roughly \$1.4-1.5 million for all of the sites.

Snodgrass indicated his goal is to get 50-51% of the units considered affordable for families below the 80% median income level. This project will increase homeownership rate, eliminate some rental and find adequate housing for those currently in the 15-plex. They are also trying to elevate the median income in the area which will have spinoff effects as more buying power is brought into the neighborhoods. Other projects the City has assisted include Liberty Village, Washington Square and will more than likely assist with the 10th and Military project.

Camp asked how concerns are addressed where other developers are trying to provide affordable housing as well that a non-profit entity is competing. Snodgrass said he does not feel that they are competing. Private developers and other homeowners have had 100 years to be building in this neighborhood to acquire land similar to what they are doing. He hopes that they are serving as a catalyst for future development. NeighborWorks will be seeking bids from builders and are members of the Home Builders Association and jobs will be provided through them. Typically, around the country, non-profits do this type of work. They go into areas where is hard to develop and hard to assemble and the non-profit is the loss leader. This project will be different because it is the first LEED neighborhood standard project in the midwest from Chicago and Denver. This will set the model for how things should be done. Geothermal and wind energy will be used.

The project consists of three floors in the main building. Two floors of condominiums above and one floor of office space for NeighborWorks. There will also be a small area for retail for leasing purposes. There will be a long term mortgage on the NeighborWorks portion of the building.

Snodgrass stated that homeownership is his mantra so there will be no rental options on this site. We are currently at 13% homeownership and his goal is to have the Malone neighborhood at 50% within five years.

Landis is not sure there is a high demand for private sector home building in this area. If so, we should have seen it over time.

The assembly process is what is the hindrance to the private market. It has taken five years to assemble this at a price that is not economically feasible to the private developer.

Eschliman asked if resources are taken from other areas/programs or was a new pot created. Snodgrass replied that NeighborWorks has been successful in fundraising and received \$500,000 from the State of Nebraska for the green initiatives portion. The federal government had \$250,000 available through a competitive cycle that NeighborWorks applied through the City of Lincoln for this project. Other sources include Woods Charitable fund. Other normal programs are still in place and this is a new set. The City is one of those pots. There has been a bump in paybacks that were not expected. Program income was received that was a pleasant surprise.

Landis provided preliminary figures that we know now for payback with the total amount in construction for the following projects at about \$71 million currently. Our relationship to the private investment is: Liberty Village private sector contribution was matched 6 to 1 by the private sector. In Turbine Flats it was 15.76 to 1 of private sector contribution to the City's contribution. In the Assurity project we expect it to be 9 to 1. In NeighborWorks, we expect it to be 11 to 1. In the Hoppe project, we expect 10 to 1.

The project consists of 18 townhomes and eight condominiums. The estimated prices will be in the range of \$135,000 to \$175,000 for three different tiers. The condos will be in the \$110,000-\$120,000 range to make them feasible to sell. They are targeting a different buyer due to the green standard and efficiency standard.